**UNITED NATIONS** **DP**

**Executive Board of the United Nations Development Programme and of the United Nations Population Fund**

Distr.
GENERAL

DP/FPA/2000/4
22 November 1999

ORIGINAL: ENGLISH

First regular session 2000
24 –28 and 31 January 2000, New York
Item 6 of the provisional agenda
UNFPA

# UNITED NATIONS POPULATION FUND

## Follow-up to the Report of the Board of Auditors for 1996-1997: Status of Implementation of Recommendations

1. Pursuant to decision 97/2 taken by the Executive Board at the first regular session of 1997, the Executive Director wishes to bring to the attention of the Executive Board a status report on follow-up measures to the recommendations contained in the Report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1997 (A/52/5/Add.7). The Auditors' review concerns the efficiency of financial procedures, internal financial controls and in general the management of UNFPA. The management issues examined by the Board of Auditors during 1996-1997 included cash management, property management, and human resources.

2. The table below provides an update on the steps taken to address these concerns and issues. The Executive Director has reported to the Executive Board on this item at the first regular session in 1999 (see DP/FPA/1999/2). She has also addressed several of these issues in the annual report on internal audit and oversight activities (see DP/FPA/1999/8), submitted to the Board at the annual session in June 1999.

Recommendation

3. The Executive Board may wish to take note of the progress report provided by the Executive Director on the measures that have been taken or are planned in implementing the recommendations of the Board of Auditors for the biennium 1996-1997, as contained in document DP/FPA/2000/4.

/...

99-35779 (E) 151299

**Follow-up to the Report of the United Nations Board of Auditors to the General Assembly on the Accounts of the United Nations Population Fund for the Biennium Ended 31 December 1997**

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| **Recommendations for the 1996-1997 biennium** | | |
| **Financial procedures** | | |
| *1. Show the value of contributions-in-kind in a note to the financial statements.* | The Chief, Finance Branch, is examining the requirements for collecting information on contributions-in-kind, assigning a value to such contributions and reporting on this information. | In accordance with the recommendations of the Advisory Committee on Administrative and Budgetary Questions in document A/53/513, UNFPA will await the review of the United Nations Accounting Standards by the Consultative Committee on Administrative Questions (CCAQ) as they pertain to disclosure of the value of the contributions-in-kind. Meanwhile, the UNFPA Finance Branch plans to disclose the value of contributions-in-kind in a note to the financial statements for the 1998-1999 biennium. |
| *2. Establish procedures for accurately recording non-expendable project equipment held by Governments and NGOs and disclose the value of the inventory in a note to the financial statements.* | UNFPA is stressing the importance of accurate record keeping in the revised administrative and programming section of the Policies and Procedures Manual.<br><br>Although the responsibility for adequate record keeping lies primarily with executing agencies, it is the responsibility of the country offices to ensure compliance with the reporting requirements and to provide the Geographical Divisions at headquarters with all of the relevant financial reports. The | Procedures for collection, valuation and reporting for non-expendable project equipment are already in place. The accuracy and completeness of the information, however, depends primarily on the assistance of the country offices in reviewing the information submitted by Governments and NGOs. To ensure follow-up action, DFAMIS will be liaising this year with the Geographical Divisions and the country offices, to obtain the value of non-expendable equipment and plans to disclose this information in a note to the next |

/...

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| | Director, Division for Finance, Administration and Management Information Services (DFAMIS), will monitor the overall compliance of all parties to these procedures. A year-end circular will be issued again to the country offices and the Geographical Divisions reiterating the reporting requirements. | biennial financial statement. To optimize the accuracy of recording, the timing of the vesting of ownership of equipment will be reviewed. |
| *3. Amend the financial regulations to require exchange losses, other than those arising from voluntary contributions, to be charged as expenditure, in line with the practice adopted by United Nations Headquarters.* | The Chief, Finance Branch, is drafting the necessary revisions to UNFPA financial regulations and rules. In addition, the Chief will liaise with UNDP to determine what is required to be able to segregate exchange losses according to the source of the loss. | UNFPA has proposed revisions to financial rules 104.3 and 116.1 which will be communicated to the Executive Board in accordance with Regulation 14.1(a). UNFPA plans to reflect the revised treatment of exchange gains and losses from the 1998-1999 financial statements onwards. |
| *4. Take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under UNFPA regulations.* | The Chief, Procurement and Administrative Branch, is monitoring travel advances and will decide on recovery of overdue travel advances in cases where travel claims have not been submitted within two weeks upon return from actual travel. No further missions will be approved by the Deputy Executive Director prior to submission of claims for previous travels. | UNFPA has taken the necessary steps to clear the majority of outstanding advances, including taking action on writing off any advances where the prospects of recovery is dim. UNDP is currently focusing on the implementation of the Integrated Management Information System (IMIS) release 3; therefore, most of the outstanding advances are pending UNDP final action. The IMIS release 4, which is now under implementation, includes a link to the payroll system for the automatic recovery feature already included in release 3. Thus, whilst the action for recovery will be undertaken after two weeks of non-submission of travel claims, the actual recovery through IMIS payroll deduction may de facto need up to 60 days from the date travel is completed. |

/...

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| **Management issues**<br>**A. Cash management** | | |
| *5. Expedite the receipt of outstanding disbursement reports in respect of Government- and NGO-executed projects.* | Strict requirements regarding the conditions for paying and controlling advances are set forth in the Finance Manual. UNFPA Representatives and programme managers at headquarters are responsible for ensuring that these procedures are implemented. The Director, DFAMIS, will monitor the implementation of the procedures. A database is being developed to facilitate monitoring. | Beginning with the 1999 financial year, the Finance Branch will provide the Executive Committee with an annual list of offices which are deficient in compliance with UNFPA financial regulations, rules and procedures as they relate to the timely receipt of disbursement reports and the provision of advances to executing agencies. Based on the Executive Director's memo dated 29 January 1999, on personal accountability, appropriate action will be taken. |
| *6. Adhere strictly to the Finance Manual provision that advances should not be made while disbursement reports are outstanding and any advances allowed should be limited to no more than one quarter's estimated expenditure.* | UNFPA Representatives and programme managers at headquarters are responsible for ensuring adherence to these procedures. The Director, DFAMIS, will use the database to monitor adherence to procedures. | In November 1998, the Executive Director issued a circular on the audit findings, instructing Representatives to adhere to rules and procedures and to take appropriate follow-up actions. An additional circular was issued in January 1999, emphasizing financial rule 103.2 regarding personal accountability. As stated above, the Finance Branch will prepare an annual list of those country offices that are deficient with regard to compliance with UNFPA financial regulations, rules and procedures, especially as they relate to the provision of advances to executing agencies. |
| *7. Require Governments and NGOs, where practicable, to establish a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds.* | The UNFPA Finance Manual currently states that Governments should maintain a separate project bank account and include a bank information sheet to be completed for each project. UNFPA through its Representatives will continue efforts to recover any interest earned on project funds. | In most cases separate bank accounts are established. Training and monitoring missions include the monitoring of adherence to this procedure. The cases where separate accounts are not opened are primarily due to national |

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| | | legislation or infrastructural limitations in the country. |
| *8. Routinely review inactive projects and close them if appropriate.* | The Director, DFAMIS, issued a circular in July 1997 clarifying the procedures to be followed in identifying and closing completed projects. In addition, the Finance Manual has been revised to provide clear guidelines on project closure. It is the responsibility of the UNFPA Representative, the head of the concerned division at headquarters and the relevant executing agencies to review project status on an ongoing basis to determine whether action needs to be taken to close an inactive project. Programme managers with the support of the Chief of the Finance Branch are monitoring the process of project closure. | Substantial progress has been made with regard to project closure. Nearly 1,800 projects have been identified as operationally complete and subsequently financially closed. DFAMIS has developed a procedure to draw the attention of the Geographical Divisions, Technical and Policy Division and the Information and External Relations Division to projects that have remained inactive for three years, so that the respective divisions can follow-up and determine whether they are operationally complete for subsequent closure, as required. In September 1999, as a result of the new procedures, DFAMIS identified some 300 projects as inactive and requested the appropriate divisions to take the necessary actions. Project closure is now a regular feature of internal audits and Policy Application Reviews. |
| **B. Property management**<br><br>*9. Negotiate with Governments to either provide free premises or make a contribution towards accommodation costs.* | The Fund's strategy in this area is reflected in the active participation of the Chief, Procurement and Administrative Branch, DFAMIS, in the United Nations Development Group-Sub-Group on Common Premises and Services (UNDG-SGCPS). In this respect, all UNDG partner agencies are adhering to the Secretary-General's directive to move towards common premises and the establishment of United Nations Houses. Consequently, the methodology and strategy | As an active participant in the UNDG-SGCPS, UNFPA ensures that it retains an equal voice in policy formulation and strives to ensure that the proposals of the UNDG-SGCPS take into account and maximize efficiency, as well as cost-effectiveness. The issue of cost-free premises is being actively pursued in the SGCPS and the Management Group on Services and Premises (MGSP) fora. A common strategy and policy is currently being investigated. A conference room paper prepared by the UNDG-SGCPS was |

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| | applied to achieve this are common to the UNDG agencies.<br><br>The Board of Auditors recommendation is accepted by UNFPA. In addition to UNDG-SGCPS efforts in this area, UNFPA Representatives will be requested to inquire from host Governments about the possibility of extending the UNDP Government Local Operating Costs (GLOC) contribution or similar arrangements to UNFPA offices where such arrangements do not already exist. | presented to the Executive Board in a joint UNDP/UNFPA segment at the second regular session in 1999.<br><br>In pursuing the Secretary-General's directive to move toward the establishment of United Nations Houses in the field, the United Nations Resident Coordinators have been instructed to pursue the possibility of free or subsidized office premises for UNDG agencies. During the evaluation process for all United Nations House and common premises proposals, the UNDG-SGCPS investigates that as the most desirable modality in attaining the objectives of the United Nations House Programme. In some cases common premises may lead to cost increases for UNFPA. |
| *10. Establish standards and guidelines for premises-related expenditure.* | UNFPA accepts the recommendation and has requested that this issue be added to the agenda of the UNDG-SGCPS. The Chief, Procurement and Administrative Branch, and the Chief, Finance Branch, will then develop guidelines, as required, based on the UNDG-SGCPS recommendations. | UNFPA, wherever possible, attempts to ensure that countries specifically targeted for in-depth review and premises-assessment missions are those countries that exhibit high rental and/or high operational costs for UNFPA. While recognizing the difficulty to find appropriate indicators, it should be noted that utilizing an average rental cost per staff member as a means of comparison might be misleading. The Administration is currently considering the development of more appropriate indicators such as costs as a percentage of the office budget or a comparison of square-footage costs in the particular geographical area. |
| *11. Ensure that the standard common services agreement incorporates performance targets and service standards.* | UNFPA concurs with the Auditors' observations and the recommendation on this issue. In this context, it should be noted that in response to a UNDP/UNDG Office paper providing guidelines | At the UNDG Management Group on Services and Premises meeting of 12 August 1998, UNFPA again emphasized that it was essential to include relevant narrative text on the subject in the |

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| | and policy on common services, commissioned by the Consultative Committee on Programme and Operational Questions (CCPOQ), UNFPA was the sole UNDG agency to request, in writing, that the paper be revised, inter alia, to include criteria to evaluate the quality and cost-effectiveness of services provided by partner United Nations agencies and to include the principle of the accountability of service providers to service recipients. The Director, DFAMIS, will monitor overall compliance with agreed performance standards. | pending CCPOQ guidelines. This point was accepted by the other UNDG agencies present (UNDP, UNICEF and WFP). The CCPOQ guidelines were revised accordingly and were endorsed by CCPOQ in October 1998.<br><br>During the past twelve months the UNDG agencies, under the UNDG-SGCPS, have conducted a comprehensive survey concerning common services. The survey concerned, inter-alia, attempts to quantify the satisfaction level of existing common services provided and received within country offices. The survey also attempts to identify how the services may be improved. The results of this survey will be available by the end of 1999. During the first quarter of 2000 a UNDG workshop will be organized to develop practical guidelines on how common services can be more effectively implemented. The principle of accountability and the incorporation of performance standards will be emphasized at the exercise. |
| **C. Human resource management** | | |
| *12. Undertake a comprehensive staff review, including an examination of the relationship between headquarters and country offices, to:*<br>- *ensure appropriate balance between decentralization and control, and*<br>- *determine accurately the number of professional and support staff needed.* | UNFPA concurs with the observations and recommendations. These are being addressed through a workforce planning exercise organized by the Chief, Office of Personnel and Training, which will:<br>-review job content and redesign functions of posts, as necessary;<br>-develop accurate workload measures specific to the full range of work undertaken; and establish | The first phase of the workforce planning exercise has been concluded. It consisted of a baseline post assessment involving headquarters, Country Support Teams and selected country offices. The findings of the assessment were discussed with the Executive Committee in August 1999. In November 1999, a staff retreat to discuss organizational structure and programme priorities was held. Further follow-up action is under way |

| Recommendations | Follow-up Action/Responsibilities | Time Frame /Comments |
|---|---|---|
| | workload benchmarks to optimize staff resources. | and pilot workforce changes will be implemented and assessed. The organization-wide application is expected to begin in June 2000. Staff is being continuously updated on the exercise through circulars and briefings. |
| *13. Undertake a field capacity study to assess whether country offices are appropriately staffed.* | The results of the workforce planning exercise will facilitate assessing the appropriate staffing of country offices. The responsibility for the exercise lies with the Chief, Office of Personnel and Training. | The workforce planning exercise will also enable senior management to adequately define the role and responsibilities of country office staff in the context of decentralized approval authority and programme implementation. This also needs to be seen in the context of national capacity building and national execution, particularly how the country offices should be endowed to assist Governments and NGOs to achieve self-reliance. Since this is of concern to the United Nations system as a whole, at the initiative of UNFPA, the UNDG Sub-Group on Programme Operations is discussing joint operational recommendations. |
| **Year 2000 issue** | | |
| *14. The Board of Auditors recommends that UNFPA should ensure that all systems are tested for year 2000 (Y2K) compliance, with sufficient lead time to address any deficiencies.* | The Chief, MIS Branch, has been appointed as focal point for Y2K issues. UNFPA did a survey on all systems during 1998 and 1999 and found most of them Y2K compliant. Those systems, which were not initially Y2K compliant, have been made compliant. UNFPA uses IMIS as the only external system, and it is reported to be Y2K compliant. | UNFPA is actively involved in the interagency working group on Information Technology Systems. For country offices, UNFPA relies on the recommendation of the United Nations Security Coordination (UNSECORD) and UNDP. The Joint Inspection Unit findings indicate that, in general, UNFPA is well prepared for Y2K. |